AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

LAINGSBURG

NOLI PROCRASTINARE

Laingsburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Report of the Auditor-General	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 12
Accounting Policies	13 - 38
Notes to the Annual Financial Statements	38 - 85

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appendix A: Appropriation Statement

Appendix B: Analysis of Property, Plant and Equipment

Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Report of the Auditor-General

1.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Statement of Financial Performance

	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	19	16,872,724	15,257,887
Interest on bank accounts	20	817,970	1,270,010
Interest on outstanding debtors		47,959	159,379
Rental income	21	1,271,479	1,107,697
Licences and permits		175,583	196,698
Agency services		127,163	142,351
Other income	22	104,404	181,043
Total revenue from exchange transactions		**19,417,282**	**18,315,065**
Revenue from non-exchange transactions			
Property rates	23	3,257,680	2,934,403
Property rates - penalties imposed	23	313,389	194,929
Transfer revenue			
Donations		1,496,186	216,275
Government grants and subsidies	24	26,569,059	47,686,583
Fines, penalties and forfeits	25	22,198,191	19,962,610
Services in kind	26	1,341,705	-
Total revenue from non-exchange transactions		**55,176,210**	**70,994,800**
Total revenue		**74,593,492**	**89,309,865**
Expenditure			
Employee related costs	27	(19,030,829)	(14,886,737)
Remuneration of councillors	28	(2,650,914)	(2,518,028)
Debt impairment	29	(21,334,903)	(14,310,946)
Depreciation and amortisation	30	(7,889,486)	(7,849,989)
Impairment loss / Reversal of impairment loss	31	-	171,617
Finance costs	32	(216,992)	(164,313)
Bulk purchases	33	(7,460,102)	(7,487,051)
Contracted services	34	-	(9,590)
Grants and subsidies	35	(1,873,664)	(32,405,416)
Repairs and maintenance		(2,103,781)	(2,487,729)
General expenses	36	(17,767,808)	(19,210,021)
Library lease		(76,155)	(75,240)
Collection costs		(204,798)	(258,800)
Total expenditure		**(80,609,432)**	**(101,492,243)**
Operating deficit		**(6,015,940)**	**(12,182,378)**
Loss on disposal of assets and liabilities		(37,097)	(6,936)
Deficit for the year		**(6,053,037)**	**(12,189,314)**

* See Note 55 & 48

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Cash Flow Statement

	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Sale of goods and services		25,561,651	38,958,925
Grants		22,964,532	51,561,520
Interest income		865,929	1,429,389
Other receipts		4,516,520	1,844,064
		53,908,632	93,793,898
Payments			
Cash paid to employees		(21,184,972)	(18,162,722)
Cash paid to suppliers		(29,903,222)	(60,676,715)
		(51,088,194)	(78,839,437)
Net cash flows from operating activities	38	**2,820,438**	**1,282,449**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(6,872,029)	(5,910,293)
Loss on disposal of property, plant and equipment	11	(37,097)	-
Intangables - additions	10	-	(166,368)
Net cash flows from investing activities		**(6,909,126)**	**(6,076,661)**
Net increase/(decrease) in cash and cash equivalents		**(4,088,688)**	**(4,794,212)**
Cash and cash equivalents at the beginning of the year		9,964,155	14,758,367
Cash and cash equivalents at the end of the year	3	**5,875,467**	**9,964,155**

* See Note 55 & 48

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 56)
Operating deficit	**(8,744,000)**	**1,557,441**	**(7,186,559)**	**(6,015,940)**	**1,170,619**	
Loss on disposal of assets and liabilities	-	-	-	(37,097)	**(37,097)**	
Deficit before taxation	**(8,744,000)**	**1,557,441**	**(7,186,559)**	**(6,053,037)**	**1,133,522**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(8,744,000)**	**1,557,441**	**(7,186,559)**	**(6,053,037)**	**1,133,522**	

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 56)
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sales of goods and services	28,156,000	-	**28,156,000**	25,142,842	**(3,013,158)**	
Other revenue	5,505,000	-	**5,505,000**	4,935,329	**(569,671)**	
Grants	24,952,000	-	**24,952,000**	22,964,532	**(1,987,468)**	
Interest income	1,120,000	-	**1,120,000**	865,929	**(254,071)**	1.28
	59,733,000	-	**59,733,000**	**53,908,632**	**(5,824,368)**	
Payments						
Suppliers and employees ond other	(56,490,000)	-	**(56,490,000)**	(50,112,790)	**6,377,210**	1.29
Finance costs	(400)	-	**(400)**	-	**400**	
Transfers and grants	(628,000)	-	**(628,000)**	(975,404)	**(347,404)**	1.30
	(57,118,400)	-	**(57,118,400)**	**(51,088,194)**	**6,030,206**	
Net cash flows from operating activities	**2,614,600**	-	**2,614,600**	**2,820,438**	**205,838**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(14,703,000)	-	**(14,703,000)**	(6,872,029)	**7,830,971**	1.31
Loss on disposal of property, plant and equipment	-	-	-	(37,097)	**(37,097)**	
Net cash flows from investing activities	**(14,703,000)**	-	**(14,703,000)**	**(6,909,126)**	**7,793,874**	
Cash flows from financing activities						
Increase in consumer deposits	24,000	-	**24,000**	-	**(24,000)**	
Net increase/(decrease) in cash and cash equivalents	(12,064,400)	-	**(12,064,400)**	(4,088,688)	**7,975,712**	
Cash and cash equivalents at the beginning of the year	15,193,000	-	**15,193,000**	9,964,155	**(5,228,845)**	
Cash and cash equivalents at the end of the year	**3,128,600**	-	**3,128,600**	**5,875,467**	**2,746,867**	

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the recoverable amount assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement obligation and other long-term employee obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and longterm benefit obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 18.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.3 Investment property (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 50).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value the deprreciation charge for each period is recognised in surplus of deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their estimated residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives if items of intangible assets have been assessed as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 13 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution through a non-exchange transaction or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.12 Impairment of cash-generating assets (continued)

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

Sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.15 Employee benefits (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which is recognised immediately;

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.16 Statutory receivables (continued)

- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.17 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

1.18 Revenue from non-exchange transactions (continued)

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

AUDITOR-GENERAL
2017 - 11 - 30
SOUTH AFRICA

1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.27 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municpality, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- Additional text

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

AUDITOR-GENERAL
2017 201-7 30
SOUTH AFRICA

	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,050	2,050
Bank balances	4,027,992	1,342,657
Short-term deposits	1,845,425	8,619,448
	5,875,467	**9,964,155**

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4-6 % per annum. Deposits of R4 770 303 (2016: R1 770 303) are ring fenced and attributable to the Capital Replacement Reserve. (Note 44). ,

The municipality has an ABSA account for fine receipts which are sweeped daily and transferred to the current account. The ABSA bank account number is 4074336029 and has a zero balance per the cash book and the bank account.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Laingsburg - Current Account - 25040140874	571,975	1,416,546	6,744,322	898,008	1,342,657	6,595,766
ABSA Laingsburg - Call Account - 5064314329	362,713	3,566,402	3,395,627	1,487,257	3,566,402	3,395,626
Standard Bank - Money Market - 288704800	1,087,257	5,053,046	4,764,928	362,713	5,053,046	4,764,929
Standard Bank - Current Account - 203247663000	3,856,017	-	-	3,129,984	-	-
Standard Bank - Sweeping Account - 203247671000	(4,545)	-	-	(4,545)	-	-
Total	**5,873,417**	**10,035,994**	**14,904,877**	**5,873,417**	**9,962,105**	**14,756,321**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	86,149	92,280
31 - 60 days	20,198	18,444
61 - 90 days	22,964	21,454
91 - 120 days	18,405	18,241
>120 days	208,176	143,950
Less: Allowance for impairment	(149,945)	(122,143)
	205,947	**172,226**
Housing rental		
Current (0 -30 days)	54,025	46,144
31 - 60 days	24,200	13,438
61 - 90 days	18,365	14,686
91 - 120 days	14,988	20,178
> 120 days	393,438	367,376
Less: Allowance for impairment	(349,095)	(348,381)
	155,921	**113,441**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	255,315	366,926
31 - 60 days	82,877	56,960
61 - 90 days	84,562	81,563
91 - 120 days	71,075	74,720
>120 days	1,349,045	1,153,580
Less: Allowance for impairment	(1,198,550)	(945,708)
	644,324	**788,041**
Businesses		
Current (0 -30 days)	577,581	453,402
31 - 60 days	27,741	7,148
61 - 90 days	59,511	24,798
91 - 120 days	9,339	11,462
>120 days	35,110	9,281
Less: Allowance for impairment	(25,107)	(8,369)
	684,175	**497,722**
Industry		
Current (0 -30 days)	2,871	2,652
31 - 60 days	-	-
	2,871	**2,652**
Municipal		
Current (0 -30 days)	18,274	1,425
31 - 60 days	620	424
61 - 90 days	270	205
91 - 120 days	15	200
>120 days	177	144
Less: Allowance for impairment	(206)	(544)
	19,150	**1,854**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

4. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,381,639)	(2,721,996)
Debt impairment written off against allowance	(249,652)	1,058,265
Reversal of allowance	-	282,093
	(1,631,291)	**(1,381,638)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

As at 30 June 2017, receivables from exchange transactions of R255,370 (2016: R 37,973) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	51,169	11,965
2 months past due	117,110	12,075
3 months past due	87,091	13,933

Receivables from exchange transactions impaired

As at 30 June 2017, receivables from exchange transactions were impaired by R1,631,291 as of 30 June 2017 (2016: R1,381,638).

The ageing of these receivables is as follows:

0 to 3 months	32,485	41,674
3 to 6 months	13,076	15,343
Over 6 months	1,585,730	1,324,621

AUDITOR-GENERAL
2017 -11- 30

	2017 SOUTH AFRICA	2016

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired: Assessment rates

At 30 June 2017, receivables from non-exchange transactions amounting to R 13,457 (2016: R 25,800) were past due but not considered to be impaired.

The ageing of amounts past due but not impaired are as follows:

1 month past due	4,141	7,298
2 months past due	4,490	6,410
3 months past due	4,826	12,092
	13,457	**25,800**

Receivables from non-exchange transactions impaired: Assessment rates

The amount of the allowance for impairment was R 2,333,792 as of 30 June 2017 (2016: R 2,971,091).

The ageing of these receivables are as follows:

0 to 3 months	39,619	13,285
3 to 6 months	26,421	23,817
Over 6 months	2,267,752	2,933,989
	2,333,792	**2,971,091**

Reconciliation of allowance for impairment

Opening balance	(34,500,202)	(33,395,748)
Contribution to assessment rates	83,877	(423,155)
Contribution to other debtors	9,393	(49,270)
Contribution to fines	(15,361,282)	(12,029,587)
Reversal of impairment on fines	30,847,812	11,348,288
	(18,920,402)	**(34,500,202)**

6. VAT receivable

VAT	3,845,845	3,628,772

The municipality is registered for VAT on the payment basis.

AUDITOR-GENERAL
2017 -11- 3 (2017
SOUTH AFRICA

	2017	2016

9. Current portion of long term receivables from exchange transactions (continued)

Housing - Self build: Gross balance		
Current	275	276
31 - 60 days	79	79
61 - 90 days	221	79
91 - 120 days	85	219
> 120 days	12,690	11,607
	13,350	**12,260**
Housing - Self build: Allowance for impairment		
Current	(56)	(135)
31 - 60 days	-	(79)
61 - 90 days	-	(79)
91 - 120 days	-	(79)
> 120 days	(12,531)	(11,539)
	(12,587)	**(11,911)**
Housing - Self build: Net balances		
Current	219	140
31 - 60 days	79	-
61 - 90 days	221	-
91 - 120 days	85	140
> 120 days	158	69
	762	**349**
Reconciliation of allowance for impairment		
Opening balance	(11,911)	(11,591)
Impairment - current year	(676)	(320)
	(12,587)	**(11,911)**

10. Investment property

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9,403,401	(5,130,856)	4,272,545	9,403,401	(5,011,534)	4,391,867

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	4,391,867	(119,322)	4,272,545

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	4,511,189	(119,322)	4,391,867

Notes to the Annual Financial Statements

Figures in Rand

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

11. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	37,843,716	-	37,843,716	37,843,716	-	37,843,716
Buildings	9,547,883	(7,309,026)	2,238,857	9,547,883	(7,093,178)	2,454,705
Furniture and equipment	5,689,678	(4,048,445)	1,641,233	5,449,098	(3,487,595)	1,961,503
Motor vehicles	5,584,792	(3,140,087)	2,444,705	4,184,792	(2,856,037)	1,328,755
Infrastructure	194,895,821	(105,865,339)	89,030,482	191,009,741	(100,296,241)	90,713,500
Community	23,143,484	(14,100,577)	9,042,907	23,048,484	(13,433,142)	9,615,342
Refuse site	5,780,930	(1,337,149)	4,443,781	3,882,304	(1,167,472)	2,714,832
Infrastructure under construction	11,412,899	-	11,412,899	8,771,330	-	8,771,330
Housing schemes	2,955,500	(2,512,175)	443,325	2,955,500	(2,364,400)	591,100
Total	**296,854,703**	**(138,312,798)**	**158,541,905**	**286,692,848**	**(130,698,065)**	**155,994,783**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Written off	Change in restoraton cost	Transfers	Depreciation	Total
Land	37,843,716	-	-	-	-	-	37,843,716
Buildings	2,454,705	-	-	-	-	(215,848)	2,238,857
Furniture and equipment	1,961,503	240,580	-	-	-	(560,850)	1,641,233
Motor vehicles	1,328,755	1,400,000	-	-	-	(284,050)	2,444,705
Infrastructure	90,713,500	-	(30,743)	-	3,953,923	(5,606,198)	89,030,482
Community	9,615,342	-	-	-	95,000	(667,435)	9,042,907
Refuse site	2,714,832	-	-	1,898,626	-	(169,677)	4,443,781
Infrastructure under construction	8,771,330	6,631,448	-	-	(3,989,879)	-	11,412,899
Housing schemes	591,100	-	-	-	-	(147,775)	443,325
	155,994,783	**8,272,028**	**(30,743)**	**1,898,626**	**59,044**	**(7,651,833)**	**158,541,905**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

11. Property, plant and equipment (continued)

Expenditure to repairs and maintenance - Propery, plant and equipment 2017

	Contracted services	Labour	Material	Total
Land	315	-	-	315
Buildings	33,950	1,800	20,261	56,011
Furniture and fittings	300,857	-	915	301,772
Infrastructure	762,474	12,426	18,713	793,613
Motor vehicles	458,510	-	165,743	624,253
Community	23,688	1,750	122	25,560
Refuse sites	315	-	-	315
	1,580,109	**15,976**	**205,754**	**1,801,839**

Expenditure to repairs and maintenance - Propery, plant and equipment 2016

	Contracted services	Labour	Material	Total
Buildings	11,521	-	52,325	63,846
Furniture and fittings	172,024	-	-	172,024
Motor vehicles	416,807	-	39,090	455,897
Infrastructure	1,320,494	33,721	52,257	1,406,472
Community	2,200	-	160	2,360
Refuse	123,994	-	304	124,298
	2,047,040	**33,721**	**144,136**	**2,224,897**

12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,686,053	(1,164,402)	521,651	1,686,053	(1,046,071)	639,982

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	639,982	(118,331)	521,651

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	765,500	166,367	(291,885)	639,982

Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department Environmental Affairs and Tourism	82,106	82,106
Local Goverment graduate internership grant	48,811	-
Department of Water Affairs	336,146	575,883
Energy efficiency and demand side management grant	-	1,746,695
Flood damage	(1)	3,923,164
Human settlements acceleration grant	600,000	600,000
Local Government: Local Municipalities	112,140	112,140
Provincial: Financial Management Support Grant	594,735	1,047,124
Municipal Infrastructure Grant (MIG)	3,129,984	1,591,336
Municipal service delevery and capacity building	300,000	-
Provincial financial management capacity grant	120,000	-
Municipal electrical master plan	250,000	-
Municipal drought support grant	500,000	-
	6,073,921	**9,678,448**

Movement during the year

Balance at the beginning of the year	9,678,448	5,803,511
Additions during the year	22,964,532	51,561,521
Income recognised during the year	(26,569,059)	(47,686,584)
	6,073,921	**9,678,448**

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

17. Provisions (continued)

The provision is based on the Compensation Commissioner returns.

18. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

The plan is post employment medical benefit plan.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,509,000)	(3,029,000)
Long service awards	(543,398)	(526,627)
	(4,052,398)	**(3,555,627)**
Non-current liabilities	(3,847,654)	(3,343,175)
Current liabilities	(204,744)	(212,452)
	(4,052,398)	**(3,555,627)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3,029,000	3,877,000
Net expense recognised in the statement of financial performance	604,928	(848,000)
	3,633,928	**3,029,000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

Current service cost	120,000	383,000
Interest cost	302,000	368,000
Actuarial (gains) losses	120,464	(1,546,446)
Benefits paid	62,464	(52,554)
	604,928	**(848,000)**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

19. Service charges

Sale of electricity	12,189,877	11,107,580
Sale of water	2,687,791	2,303,829
Sewerage and sanitation charges	2,491,578	1,999,915
Refuse removal	2,087,695	1,732,803
Revenue foregone	(2,636,998)	(1,932,938)
Cemetery and encroachment fees	52,781	46,698
	16,872,724	**15,257,887**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the fconsumers on a monthly basis according to approved tariffs.

Water Losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R1,971,820 (51.80%) for the 2016/2017 financial period (2016: R 1 028 937 (50.74%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the 2013/2014 financial year a main water supply pipe was damaged in the flooding of the Buffels-, Wilgerhout-, and Baviaans Rivers on 8 January 2014, contributing to the water losses for the year. Further investigations commenced in the 2015/16 financial year by MISA (Municipal Infrastructure Support Agent) from National Government.

Electricity losses

Laingsburg experienced a below average electricity loss of R37,215.63 (3.17%) for the 2016/2017 financial period (2016: R 91 977 (2.79%)). The loss can be ascribed to the fact that street lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

20. Interest on bank accounts

Current investment deposits	519,994	462,449
Current account	297,976	807,561
	817,970	**1,270,010**

21. Rental income

Premises		
Operating lease rental revenue Soutkloof	90,853	81,005
Rental revenue from buildings	985,909	912,604
Rental revenue from land	6,005	1,386
	1,082,767	**994,995**
Facilities and equipment		
Rental revenue from cutlery	845	926
Rental revenue from machinery and equipment	37,508	20,560
Rental revenue from houses	12,876	17,445
Rental revenue from hawkers	10,379	8,756
Rental revenue sundry	127,104	65,015
	188,712	**112,702**
	1,271,479	**1,107,697**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

24. Government grants and subsidies

Equitable share	12,526,165	11,480,859
Financial Management Grant (FMG)	1,722,523	1,700,000
Municipal Systems Improvement Grant (MSIG)	-	930,000
Expanded Public Works Programme	1,000,000	1,000,000
Human Settlements Development Grant	565,512	18,315,741
Community Workers Development	75,000	72,000
Provincial: Library Services	981,000	962,000
Provincial: Financial Management Support Grant	472,389	1,606,892
Maintenance of Proclaimed Roads	49,239	30,000
Integrated national electrification programme (Municipal Grant)	1,999,000	3,000,000
Department of Water Affairs	239,737	-
Flood Damage Grant	-	270,357
Overberg Municipality: Bulk water meters	148,799	-
Energy efficiency and demand side management grant	1,746,695	1,253,305
Management Support Grant	200,000	-
Provincial: Sub-Seta	54,459	31,556
Municipal infrastructure support grant	-	470,000
Municipal Infrastructure Grant (MIG)	4,777,352	6,563,873
Local Government graduate internership grant	11,189	-
	26,569,059	**47,686,583**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 6 kl water and the indigent households receive 50 kWh electricity free every month.

Receipts	12,526,165	11,480,859
Expenditure	(12,526,165)	(11,480,859)
	-	-

Human settlements acceleration grant

Balance unspent at beginning of year	600,000	600,000

Conditions still to be met - remain liabilities (see note 16).

The acceleration of housing delivery grant's strategic goal is to create sustainable human settlements that enables an improved quality of household life.

Financial Management Grant (FMG)

Current - year receipts	1,722,523	1,700,000
Conditions met - transferred to revenue: operating expenditure	(1,722,523)	(1,700,000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA) 2003. The Financial Management Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

24. Government grants and subsidies (continued)

Community Workers Development

Current - year receipts	75,000	72,000
Conditions met - transferred to revenue: operating expenditure	(75,000)	(72,000)
	-	-

This grant is received to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

Provincial Library Services

Current - year receipts	981,000	962,000
Conditions met - transferred to revenue: operating expenditure	(981,000)	(935,483)
Conditions met - transferred to revenue: capital expenditure	-	(26,517)
	-	-

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

Provincial: Financial Management Support Grant

Balance unspent at beginning of year	1,047,124	182,792
Current - year receipts	20,000	2,471,224
Conditions met - transferred to revenue: operating expenditure	(472,389)	(1,606,892)
	594,735	**1,047,124**

Conditions still to be met - remain liabilities (see note 16).

This grant is received to provide financial assistance to Municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Municipal electrical master plan

Current - year receipts	250,000	-

Financial assistance to municipalities to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.

Maintenance of proclaimed roads

Current - year receipts	49,239	30,000
Conditions met - transferred to revenue: operating expenditure	(49,239)	(30,000)
	-	-

This grant was received for maintenance of Provincial roads.

Integrated national electrification programme (INEP)

Balance unspent at beginning of year	-	463,859
Current - year receipts	1,999,000	3,000,000
Conditions met - transferred to revenue: capital expenditure	(1,999,000)	(3,000,000)
Recovered from equitable share	-	(463,859)

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

Local Government: Local Municipalities

Balance unspent at beginning of year	112,140	112,140

Conditions still to be met - remain liabilities (see note 16).

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Provincial: Sub Seta

Current-year receipts	54,459	31,556
Conditions met - transferred to revenue: operating expenditure	(54,459)	(31,556)
	-	-

This grant was received for long term monitoring and construction of water infrastructure.

Financial management capacity

Current-year receipts	120,000	-

The outcome of this grant is improved functioning of municipal fianacial management

Municipal service delivery and capacity building

Current-year receipts	300,000	-

Conditions still to be met - remain liabilities (see note 16).

This grant was received to provide financial assistance to improve infrastructure, systems, structures, corporate governance, service delivery and addressing institutional challenges.

Municipal Drought Support

Current-year receipts	500,000	-

Conditions still to be met - remain liabilities (see note 16).

This grant was received to development water infrastructure with the purpose of augmenting water supply in drought stricken municipalities..

Overberg Municipality: Bulk water meters

Current-year receipts	148,799	-

Conditions still to be met - remain liabilities (see note 16).

This were a donation from Overberg municipality to invest om water supply infrastructure.

Municipal infrastructure grant (MIG)

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

27. Employee related costs (continued)

Remuneration of Groenewald A - Chief Finance Officer

Annual remuneration	655,416	567,388
Acting allowance	156,677	151,759
Contributions to UIF, medical and pension funds	147,865	130,691
Travel, motor car, accommodation, subsistence and other allowances	172,873	163,599
Long service bonus	-	90,901
Service bonus	54,618	45,764
	1,187,449	**1,150,102**

28. Remuneration of councillors

Remuneration	2,506,750	2,407,714
Allowances	144,164	110,314
	2,650,914	**2,518,028**

The mayor may utilise official Council transportation when engaged in official duties.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2017	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Bobbejee M - Councillor	14,595	8,410	387	-	23,392
Botes PJ - Councillor	14,595	8,410	2,631	-	25,636
Botha J - Councillor	14,595	8,410	387	-	23,392
Brown I - Deputy Executive Mayor	78,444	-	6,439	6,693	91,576
Brown I - Councillor	128,536	8,914	15,720	16,908	170,078
Gouws M - Speaker	125,357	13,371	6,600	5,291	150,619
Gouws M - Councillor	120,845	39,609	2,700	8,113	171,267
Horn H - Speaker	38,630	22,425	2,631	-	63,686
Kleinbooi B - Councillor	135,138	44,571	20,712	21,712	222,133
Marthinus A - Executive Mayor	471,874	147,868	22,159	35,656	677,557
Potgieter L - Councillor	192,361	-	22,159	21,712	236,232
Theron W du P - Executive Major	45,131	14,016	2,039	-	61,186
Theron W du P - Speaker	240,618	112,127	16,312	(6,926)	362,131
Theron W du P - Councillor	41,540	13,371	6,439	2,481	63,831
Van As BJ - Deputy Executive Mayor	176,072	55,503	15,651	(1,960)	245,266
Van As BJ - Councillor	41,540	13,371	5,539	2,482	62,932
	1,879,871	**510,376**	**148,505**	**112,162**	**2,650,914**

2016	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Theron W du P - Executive Major	519,989	168,191	26,925	7,265	722,370
Van As BJ - Deputy Executive Mayor	229,412	74,004	20,868	9,182	333,466
Horn H - Speaker	415,992	134,552	26,925	4,675	582,144
Bobbejee M - Councillor	156,418	50,457	3,600	4,239	214,714
Botes PJ - Councillor	156,417	50,457	24,468	4,238	235,580
Botha J - Councillor	156,417	50,457	3,600	4,239	214,713
Gouws M - Councillor	156,418	50,457	3,927	4,239	215,041
	1,791,063	**578,575**	**110,313**	**38,077**	**2,518,028**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

35. Grants and subsidies

Other subsidies		
Acacia Primary School	6,000	5,000
Aids program and Cancer awareness	1,866	599
Area committee	290	37,885
Christmas for children	4,449	4,603
Donald Duck Pre-Primary	19,108	16,937
Equitable share households	643,602	1,072,720
Housing transfers	898,260	30,989,236
LaDaag	7,149	-
Laingsburg High School	1,000	3,000
Mandela Day	1,754	7,758
Municipal sport	56,347	47,065
Other grants and subsidies paid	15,375	8,354
SMME development	2,809	-
Tourism grant	133,132	129,164
VIP toilets	64,822	59,979
Youth week	17,701	23,116
	1,873,664	**32,405,416**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

37. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Cash and cash equivalents	5,428,893	5,428,893
Receivables from exchange transactions	1,897,166	1,897,166
Receivables from non-exchange transactions	2,021,026	2,021,026
Current portion of long term receivables from exchange transactions	763	763
	9,347,848	**9,347,848**

Financial liabilities

	At amortised cost	Total
Payables from exhange transactions	9,515,719	9,515,719
Consumer deposits	3,129,984	3,129,984
Consumer deposits	484,975	484,975
	13,130,678	**13,130,678**

2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	9,964,155	9,964,155
Receivables from exchange transactions	1,497,018	1,497,018
Receivables from non-exchange transactions	5,079,592	5,079,592
Current portion of long term receivables from exchange transactions	349	349
	16,541,114	**16,541,114**

Financial liabilities

	At amortised cost	Total
Payables from exhange transactions	4,391,773	4,391,773
Consumer deposits	437,071	437,071
	4,828,844	**4,828,844**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

40. Related parties

For names of Councillors as well as disclosures of remuneration to Councillors:	Refer to note 28
For disclosures of remuneration to management:	Refer to note 27

Related party transactions

The municipality provided municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in the "service charges" and "property rates" on the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) on the statement of financial position.

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exhange transactions	6,413,500	-	-	-
Consumer deposits	484,975	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exhange transactions	4,391,774	-	-	-
Consumer deposits	437,071	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Cash and cash equivalents	5,875,467	9,964,155
Receivables from exchange transactions	1,897,166	1,497,018
Receivables from non-exchange transactions	1,602,217	5,079,592
Current portion of long-term receivables from exchange transactions	763	349

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

46. Housing development fund (continued)

The housing development fund is represented by the following assets and liabilities

Revaluation of assets	1,680,451	1,680,451

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

47. Fruitless and wasteful expenditure

Interest on late payment of suppliers	15,939	11,049
Interest paid to SARS (VAT)	5,184	-
	21,123	**11,049**

Interest on late payment of suppliers was written-off by Council.

48. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017			2016
48. Prior period errors (continued)				
Statement of Financial Position as at 30 June 2016	Balance as previously reported	Prior period error	Reclassified	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	9,964,156	(1)	-	9,964,155
Receivables from exchange transactions	1,497,018	-	-	1,497,018
Receivables from non-exchange transactions	4,708,217	350,760	20,615	5,079,592
VAT receivable	3,740,187	(111,415)	-	3,628,772
Operating lease asset	2,697	-	-	2,697
Inventories	1,596,543	1	-	1,596,544
Current portion of long term receivables from exhange transactions	349	-	-	349
Total current assets	21,509,167	239,345	20,615	21,769,127
Non-current Assets				
Investment property	4,391,867	-	-	4,391,867
Property, plant and equipment	156,873,163	(878,380)	-	155,994,783
Intangible assets	639,982	-	-	639,982
Heritage assets	43,354	-	-	43,354
Total non-current assets	161,948,366	(878,380)	-	161,069,986
Liabilities				
Current Liabilities				
Payables from exchange transactions	4,406,421	(14,646)	-	4,391,775
Consumer deposits	437,071	-	-	437,071
Unspent conditional grants and receipts	9,678,448	-	-	9,678,448
Employee benefit obligation	212,452	-	-	212,452
Provisions	402,181	-	-	402,181
Total current liabilities	15,136,573	(14,646)	-	15,121,927
Non-current Liabilities				
Employee benefit obligation	3,343,175	-	-	3,343,175
Provisions	2,854,413	-	-	2,854,413
Total non-current liabilities	6,197,588	-	-	6,197,588
Net Assets				
Accumulated surplus - Opening balance	173,808,168	(99,256)	-	173,708,912
Surplus / (deficit) for the year	(11,684,795)	(525,137)	20,618	(12,189,314)
Total net assets	162,123,373	(624,393)	20,618	161,519,598

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

48. Prior period errors (continued)

See relevant note for depreciation, amortisation and impairment

6. Payables from exchange transactions

Balance as previously reported	-	4,406,421
Unclaimed payables	-	(14,646)
	-	**4,391,775**

6. Payables from exchange transactions

Unclaimed payables reversed in the prior year.

49. Irregular expenditure

Opening balance	40,434,784	17,671,663
Add: Irregular expenditure - current year	17,309,353	27,481,939
Less: Amounts written off	(27,481,939)	(4,718,818)
	30,262,198	**40,434,784**

Analysis of expenditure awaiting write-off per age classification

Current year	7,136,767	22,763,121
Prior years	23,125,431	17,671,663
	30,262,198	**40,434,784**

50. Repairs and maintenance

Repairs and maintenance per allocation to asset type

Land	315	-
Buildings	56,011	63,846
Furniture and Fittings	301,773	172,024
Motor Vehicles	624,252	455,897
Infrastructure	793,613	1,406,472
Community Assets	25,560	2,360
Refuse sites	315	124,298
Buildings (Investments)	301,942	262,832
	2,103,781	**2,487,729**

Repairs and maintenance per nature of expense

Contracted services	1,816,440	2,203,114
Labour	40,251	33,721
Material	247,090	250,894
	2,103,781	**2,487,729**

51. Unauthorised expenditure

Unauthorised expenditure	271,147	15,094,202

No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to overspending of votes or main divisions within votes.

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

	2017	2016

55. Subsequent event

The Western Cape Minister of Local Government informed the executive mayor in a letter dated 24 August 2017 that he cannot support the appointment of the new municipal manager due to non-compliance with the applicable legal prescripts. He also indicated that he will be instituting legal proceedings seeking a declaratory order declaring the appointment invalid, alternatively seeking a review of the Council decision, with the intention of setting the appointment aside.

The municipal manager has been suspended during a council meeting held on 23 November 2017.

56. Budget differences

Material differences between budget and actual amounts

(Please refer to the Statement of Comparison of Budget and Actual Amounts.)

1.1 Change in service tariffs.

1.2 Payments received were less that budget for.

1.3 Rental income from Soutkloof farm wasn't taken into calculation.

1.4 There were an unforeseen increased in applications for motor vehicle licences.

1.5 The changes can be attributed the reclassification of donations from exchange to non-exchangeable transactions.

1.6 Penalties can be attributed to inconsistent payment behaviour.

1.7 Capital expenditure were less than foreseen due to tender criteria that haven't been met.

1.8 The average speed camera wasn't functional during the months of April to June 2017.

1.9 Donations and services in kind wasn't foreseen when the budget was approved.

1.10 Reassessment of posts.

1.11 The impairment on traffic fines wasn't correctly predicted.

1.12 Capital projects wasn't complete as foreseen.

1.13 The difference in financial cost can be attributed to the findings in the actuary report regarding retirement benefits cliability.

1.14 The differences is due unforeseen rental contracts for new photocopy machines.

1.15 Fewer fines were collected than was initially hoped for.

1.16 Less repairs were needed than initially thought.

1.17 No contracted services were obtained during the year.

1.18 The expenditure on indigent matters were less than original thought.

1.19 The municipal audit fees were paid by the National Treasury.

1.20 The transfer of the last RDP houses during the course of the year wasn't taken into calculation during the compilation of the budget.

1.21 Large payments towards debt for services have been received during the year.

1.22 The budget did not provide for any unspent grants at year end.

Laingsburg Local Municipality

(Registration number WC051)
Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

AUDITOR-GENERAL 2017 -11- 30 SOUTH AFRICA

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	4,004,000	(502,600)	3,501,400	-		3,501,400	3,571,069		69,669	102 %	89 %
Service charges	16,552,200	(397,700)	16,154,500	-		16,154,500	16,872,724		718,224	104 %	102 %
Investment revenue	1,119,300	(276,200)	843,100	-		843,100	817,970		(25,130)	97 %	73 %
Transfers recognised - operational	63,641,100	3,983,665	67,624,765	-		67,624,765	26,569,059		(41,055,706)	39 %	42 %
Other own revenue	1,277,700	275,500	1,553,200	-		1,553,200	26,762,670		25,209,470	1,723 %	2,095 %
Total revenue (excluding capital transfers and contributions)	**86,594,300**	**3,082,665**	**89,676,965**	-		**89,676,965**	**74,593,492**		**(15,083,473)**	**83 %**	**86 %**
Employee costs	(20,643,500)	135,300	(20,508,200)	-	-	(20,508,200)	(19,030,829)	-	1,477,371	93 %	92 %
Remuneration of councilors	(2,827,200)	13,500	(2,813,700)	-	-	(2,813,700)	(2,650,914)	-	162,786	94 %	94 %
Debt impairment	(25,424,400)	173,000	(25,251,400)			(25,251,400)	(21,334,903)	-	3,916,497	84 %	84 %
Depreciation and asset impairment	(8,904,300)	(159,000)	(9,063,300)			(9,063,300)	(7,889,486)	-	1,173,814	87 %	89 %
Finance charges	(7,500)	-	(7,500)	-	-	(7,500)	(216,992)	-	(209,492)	2,893 %	2,893 %
Materials and bulk purchases	(8,731,100)	1,213,100	(7,518,000)	-	-	(7,518,000)	(7,460,102)	-	57,898	99 %	85 %
Transfers and grants	(2,662,700)	-	(2,662,700)	-	-	(2,662,700)	(1,873,664)	-	789,036	70 %	70 %
Other expenditure	(26,137,600)	(2,901,124)	(29,038,724)	-	-	(29,038,724)	(20,189,639)	-	8,849,085	70 %	77 %
Total expenditure	**(95,338,300)**	**(1,525,224)**	**(96,863,524)**	-	-	**(96,863,524)**	**(80,646,529)**	-	**16,216,995**	**83 %**	**85 %**
Surplus/(Deficit)	**(8,744,000)**	**1,557,441**	**(7,186,559)**	-		**(7,186,559)**	**(6,053,037)**		**1,133,522**	**84 %**	**69 %**
Surplus/(Deficit) for the year	**(8,744,000)**	**1,557,441**	**(7,186,559)**	-		**(7,186,559)**	**(6,053,037)**		**1,133,522**	**84 %**	**69 %**

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2016				
Financial Performance				
Property rates				3,129,332
Service charges				15,257,887
Investment revenue				1,270,010
Transfers recognised - operational				47,686,583
Other own revenue				21,966,053
Total revenue (excluding capital transfers and contributions)				**89,309,865**
Employee costs	-	-	-	(14,886,737)
Remuneration of councillors	(64,827)	-	(64,827)	(2,518,028)
Debt impairment	(164,314)	-	(164,314)	(14,310,946)
Depreciation and asset impairment	-	-	-	(7,678,372)
Finance charges	-	-	-	(164,313)
Materials and bulk purchases	-	-	-	(7,487,051)
Lease rental	(75,240)	-	(75,240)	(32,405,416)
Other expenditure	(14,789,821)	-	(14,789,821)	(22,048,316)
Total expenditure	**(15,094,202)**		**(15,094,202)**	**(101,499,179)**
Surplus/(Deficit)				**(12,189,314)**
Surplus/(Deficit) for the year				**(12,189,314)**

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA

LAINGSBURG MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2017

Description	Asset Code	Historical cost									Accumulated Depreciation / Impairment							Carrying Value
		Opening Balance	Changes in Balances	New Balance	Additions	Transfers	Write-offs	Under construction Additions	Under construction Transfers	Closing Balance	Opening Balance	Changes in Balances	New Balance	Depreciation	Transfers	Write-offs	Closing Balance	
		R			R	R	R			R	R			R	R	R	R	R
Land and Buildings																		
Land (Erven)		25,929,920	-	25,929,920	-	-	-	-	-	25,929,920	-	-	-	-	-	-	-	25,929,920 00
Land (Facilities)		11,913,796	-	11,913,796	-	-	-	-	-	11,913,796	-	-	-	-	-	-	-	11,913,796 00
Office and Other Buildings		9,547,883	-	9,547,883	-	-	-	-	-	9,547,883	(7,093,178)	-	(7,093,178)	(215,848)	-	-	(7,309,026)	2,238,856 98
		47,391,599	-	47,391,599	-	-	-	-	-	47,391,599	(7,093,178)	-	(7,093,178)	(215,848)	-	-	(7,309,026)	40,082,573
Infrastructure																		
Electricity:																		
Supply network		10,592,763	-	10,592,763	2,596,069	-	-	-	-	13,188 832	(6,007,050)	-	(6,007,050)	(276,472)	-	-	(6,283,521)	6,905,311
Roads:																		-
Roads network		26,470,069	-	26,470,069	-	-	-	-	-	26 470,069	(11,478,923)	-	(11,478,923)	(665,790)	-	-	(12,144,712)	14 325 357
Stormwater network		95,204,400	-	95,204,400	1,298,810	-	-	-	-	96,503,210	(53,002,210)	-	(53,002,210)	(3,262,771)	-	-	(56 264,981)	40 238 230
																		-
Sanitation:																		
Sanitation network		30,148,479	-	30,148,479	-	-	-	-	-	30,148 479	(16,344,926)	-	(16,344,926)	(786,036)	-	-	(17,130,963)	13 017,516
																		-
Water:																		-
Supply network		28,594,029	-	28,594,029	59,039	-	(67,838)	-	-	28,585,229	(13,463,133)	-	(13,463,133)	(615,126)	37,097	-	(14,041,162)	14,544,067
		191,009,741	-	191,009,741	3,953,918	-	(67,838)	-	-	194,895,820	(100,296,240)	-	(100,296,240)	(5,806,196)	-	37,097	(105,865,339)	89,030,481
Community Assets																		
Recreational Facilities:																		
Sport and recreation facilities		11,290,092	-	11,290,092	95,000	-	-	-	-	11,385,092	(5,230,653)	-	(5,230,653)	(393,847)	-	-	(5,624,300)	5,760 592
Community facilities		11,758,392	-	11,758,392	-	-	-		-	11,758,392	(8,202,489)	-	(8,202,489)	(273,588)	-	-	(8,476,077)	3,282,315
		23,048,484	-	23,048,484	95,000	-	-	-	-	23,143,484	(13,433,142)	-	(13,433,142)	(667,435)	-	-	(14,100,577)	9,042,907
Housing																		
Housing Schemes		2,955,500	-	2,955,500	-	-	-	-	-	2,955,500	(2,364,400)	-	(2,364,400)	(147,775)	-	-	(2,512,175)	443,325
		2,955,500	-	2,955,500	-	-	-	-	-	2,955,500	(2,364,400)	-	(2,364,400)	(147,775)	-	-	(2,512,175)	443,325
Furniture and Fittings:																		-
Other Furniture		5,449,098	-	5,449,098	240,580	-	-	-	-	5,689,678	(3,487,595)	-	(3,487,595)	(560,850)	-	-	(4,048,445)	1,641 232 83
Motor Vehicles:																		-
Motor Cars		4,184,792	-	4,184,792	1,400,000	-	-	-	-	5,584,792	(2,856,037)	-	(2,856,037)	(284,050)	-	-	(3,140 087)	2,444,705 16
Refuse site																		-
Tip sites		3,882,304	-	3,882,304	1,898,626	-	-	-	-	5,780,930	(1,167,472)	-	(1,167,472)	(169,677)	-	-	(1,337,149)	4 443,781 24
		13,516,194	-	13,516,194	3,539,206	-	-	-	-	17,055,400	(7,511,104)	-	(7,511,104)	(1,014,577)	-	-	(8,525,681)	8,529,719
Total PPE (excl Capital WIP)		277,921,518	-	277,921,518	7,588,124	-	(67,838)	-	-	285,441,803	(130,698,064)	-	(130,698,064)	(7,851,831)	-	37,097	(138,312,798)	147,129,005

AUDITOR-GENERAL
2017 -11- 30
SOUTH AFRICA